

Information on Washington's Tax Structure



Business Tax Overview

Washington is an excellent location to establish a new or expanding business. The Washington State Department of Revenue has prepared this brief overview to help you become familiar with the state's business tax system, registration and reporting requirements. It is current at the time of publication, but future law changes may invalidate some of the information.

BUSINESS TAX STRUCTURE

The state of Washington does not have a corporate, unitary or personal income tax. However, Washington businesses are subject to three major taxes either administered or overseen by the Department of Revenue:

- ◆ business and occupation tax,
- ◆ sales/use tax, and
- ◆ property tax.

BUSINESS AND OCCUPATION TAX

The business and occupation tax (B&O) is based on gross receipts. There are several classifications for the B&O tax based on the type of business activity. Each classification has its own tax rate. Some of the major categories and their rates are shown in the following table.

B&O Tax Classification	Rate
Retailing	.00471
Retailing of Interstate Transportation Equipment	.00484
Manufacturing Fresh Fruit and Vegetables	.00138
Manufacturing	.00484
Wholesaling	.00484
Service and Other Activities	.015
Insurance Agents/Insurance Brokers	.00484

Virtually all businesses in Washington are subject to B&O tax, including corporations, partnerships and sole proprietors, whether nonprofit or for profit. The major exempt activities are farming and the sale or rental of real estate.

RETAIL SALES AND USE TAX

Businesses in Washington collect and remit retail sales tax on the sale of tangible personal property and certain services. The state sales tax rate is 6.5 percent. Local governments also levy a sales tax. The combined sales tax rates range from 7.0 to 8.6 percent of the selling price depending on location. Services subject to the retail sales tax include cleaning, repairing, altering or improving real or personal property, and certain specific services.



Use tax is due on the value of tangible personal property and some amusement and recreation services used in the state on which retail sales tax has not been paid. For example, use tax is generally due on fixtures and equipment included in the purchase of an existing business (with the exception of machinery and equipment, including cogeneration and pollution control machinery and equipment, used directly in a manufacturing operation).

Some of the most frequently used exemptions to retail sales and use taxes include:

- ◆ groceries;
- ◆ prescription medicine;

- ◆ rental of production equipment by motion picture businesses;
- ◆ sales to U.S. government;
- ◆ newspapers;
- ◆ some sales to farmers;
- ◆ machinery and equipment, including cogeneration and pollution control machinery and equipment, used directly in a manufacturing operation; and
- ◆ labor and services involved in the installation and repair of machinery and equipment, including cogeneration and pollution control machinery and equipment, used directly in manufacturing operation.



PROPERTY TAX

Property taxes are administered by the counties. The taxes have both a state and local component. Rates vary by location and taxes are based on the assessed value of property. The average statewide property tax is approximately \$14 per \$1,000 of assessed value. Some categories of property tax exemptions include:

- ◆ business inventories;
- ◆ intangibles, such as currency, bank deposits, stocks and bonds;
- ◆ household goods and personal items; and
- ◆ certain agricultural, timber, mineral or metallic products manufactured in other states to be transported out of Washington State.

If you have questions about the property tax rates in a specific area, please contact your local county assessor's office.

MISCELLANEOUS TAXES

Other state business taxes collected by the Washington State Department of Revenue include the public utility, carbonated beverage, fish, timber, tobacco products, litter and refuse collection taxes.

TAX DEFERRALS, EXEMPTIONS AND CREDITS

Washington offers several investment incentive programs to businesses engaging in certain industrial/manufacturing activities.

These incentives are designed to encourage specific industries to locate or expand in Washington and to provide employment opportunities in areas suffering from a poor economy.

These programs are:

- ◆ Manufacturer's Sales/Use Tax Exemption;
- ◆ Distressed Area Sales/Use Tax Deferrals Exemptions;
- ◆ Distressed Area Business and Occupation Tax Credits for New Employees;
- ◆ High Technology Sales and Use Tax Deferrals; and
- ◆ High Technology Business and Occupation Tax Credits.

The Department has information which explains these programs in some detail. You can obtain this information by calling the Telephone Information Center at 1-800-647-7706 or visiting our web site at: <http://dor.wa.gov>.

TAX REGISTRATION AND REPORTING

To register a business in the state of Washington, please contact the Department of Revenue at one of the numbers listed on the back page of this publication and request a Master Application. When you fill out a Master Application, you register your business with the departments of Revenue, Licensing, Labor and Industries, Employment Security and the Office of the Secretary of State.



Several federal, state and local agencies have specific licensing and reporting requirements which may apply to your business. If you need more information, please contact one of the following agencies:

DEPARTMENT OF LICENSING

Certain business activities require special registration or agency authorization. Such activities include selling liquor, cigarettes and lottery tickets. The Master Application contains information about these special registrations and licenses and how to obtain them. You may receive specific information about licenses needed for your business by contacting the Department of Licensing. In addition, the Department of Licensing registers trade names for sole proprietorships and general partnerships. For more information contact:

Department of Licensing
Master License Service
PO Box 9034
Olympia, Washington 98507-9034
(360) 664-1400
<http://www.wa.gov/dol>

LABOR AND INDUSTRIES

If your business employs one or more persons, you are required to apply for industrial insurance coverage through the Washington State Department of Labor and Industries. Industrial insurance is not required for business owners, but those who want it can complete an application for employer coverage. To apply for industrial insurance or request information, look for the nearest Labor and Industries location in the state of Washington listings in your telephone directory or contact:

Department of Labor and Industries
Information and Assistance
PO Box 44851
Olympia, Washington 98504-4851
(800) 547-8367
<http://www.wa.gov/lni>

EMPLOYMENT SECURITY

If you have employees, you are required to apply for unemployment insurance coverage with the state of Washington Employment Security Depart-

ment. For the office nearest you, refer to the state of Washington listings in your telephone directory, or contact:

Employment Security Department
Status Unit
PO Box 9046
Olympia, Washington 98507-9046
(360) 902-9360
<http://www.wa.gov/esd>

SECRETARY OF STATE

Contact the Secretary of State's office to file an application to form a corporation, limited partnership or a limited liability company. The Secretary of State also registers trade marks, and trade names for corporations and limited partnerships. For more information contact:

Secretary of State
Corporations Division
PO Box 40234
Olympia, Washington 98504-0234
(360) 753-7115
<http://www.secstate.wa.gov>

INTERNAL REVENUE SERVICE

If you pay employment taxes, such as industrial and unemployment insurance, you are required to obtain a Federal Employer Identification Number (FEIN). In some special cases, businesses without employees may be required to obtain a FEIN. You can contact the federal Internal Revenue Service at:

Information	800-829-1040
Forms	800-829-3676
FAX	703-368-9694

<http://www.irs.ustreas.gov>

CITY AND COUNTY TAX OFFICES

Many cities and counties have business and occupation (B&O) taxes or registration requirements. If you are located or operate in a city or county that has such requirements, you will need to register with their taxing authority. Please contact the Department of Revenue's Telephone Information Center at 1-800-647-7706 to find out which cities and counties have these requirements and where to call for more information. Information about city B&O tax is also available via the Department's *Fast Fax*. To use *Fast Fax*, please follow the prompts on the toll-free number above and select option #607. Check your local telephone directory for the location of the city and/or county taxing offices.

FOR MORE INFORMATION

If you have questions regarding your business's Department of Revenue tax obligations or Washington's sales and use taxes, please contact your local Revenue field office or write to:

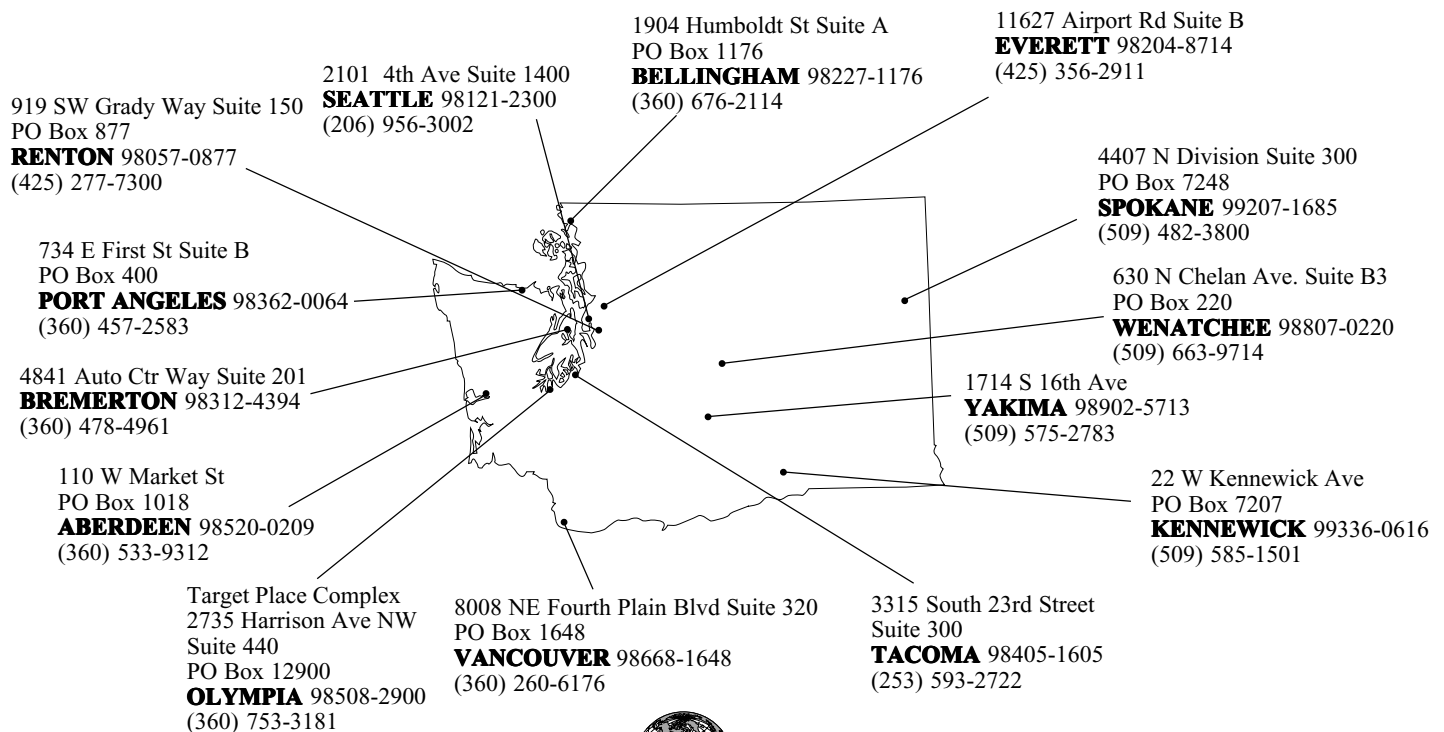
Taxpayer Information and Education
Department of Revenue
PO Box 47478
Olympia, WA 98504-7478
FAX: (360) 664-0456

You may also call our Telephone Information Center at 1-800-647-7706. To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 753-3217. Teletype (TTY) users please call 1-800-451-7985.

Department of Revenue Taxpayer Assistance

1-800-647-7706

Field Office Locations



Serving the People of Washington

<http://dor.wa.gov>



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